

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Pokagon Township	County Cass
Audit Date March 31, 2004	Opinion Date September 9, 2004	Date Accountant Report Submitted To State: September 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085
Accountant Signature 			

Township of Pokagon, Michigan **Cass County**

Financial Report **with Additional Information**

March 31, 2004

Township of Pokagon, Michigan

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Auditor's Report

Members of the Township Board
Township of Pokagon, Michigan

We have audited the accompanying general purpose financial statements of the Township of Pokagon, Michigan, as of March 31, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Pokagon, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Pokagon, Michigan as of March 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 9, 2004

Township of Pokagon, Michigan

	Governmental Fund Types	
	General	Special Revenue
Assets		
Cash and cash equivalents (Note 2)	\$ 235,094	\$ 10,102
Investments (Note 2)	507,991	97,042
Due from other funds (Note 3)	12,329	33,175
Delinquent taxes receivable (Note 4)	3,532	12,786
Restricted assets (Notes 2 and 5)	-	73,179
Capital assets (Note 6)	-	-
	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 758,946</u></u>	<u><u>\$ 226,284</u></u>
Liabilities and Fund Equity		
Liabilities		
Accounts payable	\$ 5,055	\$ -
Other accrued liabilities	543	-
Due to other funds	-	-
Due to other governmental units	-	-
	<u>-</u>	<u>-</u>
Total liabilities	5,598	-
Fund Equity		
Investment in general fixed assets	-	-
Fund balances:		
Reserved (Note 5)	-	73,179
Unreserved	753,348	153,105
	<u>753,348</u>	<u>226,284</u>
Total fund equity	<u>753,348</u>	<u>226,284</u>
Total liabilities and fund equity	<u><u>\$ 758,946</u></u>	<u><u>\$ 226,284</u></u>

Combined Balance Sheet – All Fund Types and Account Group
March 31, 2004

Fiduciary Fund Type	Account Group	Total (Memorandum Only)	
		March 31	
Trust and Agency	General Fixed Assets	2004	2003
\$ 349,204	\$ -	\$ 594,400	\$ 282,480
-	-	605,033	569,670
-	-	45,504	-
-	-	16,318	13,703
-	-	73,179	67,046
-	236,256	236,256	197,661
<u>\$ 349,204</u>	<u>\$ 236,256</u>	<u>\$ 1,570,690</u>	<u>\$ 1,130,560</u>
\$ -	\$ -	\$ 5,055	\$ 3,700
-	-	543	-
45,504	\$ -	45,504	-
303,700	-	303,700	589
349,204	-	354,802	4,289
-	236,256	236,256	197,661
-	-	73,179	82,605
-	-	906,453	846,005
-	236,256	1,215,888	1,126,271
<u>\$ 349,204</u>	<u>\$ 236,256</u>	<u>\$ 1,570,690</u>	<u>\$ 1,130,560</u>

Township of Pokagon, Michigan

Combined Statement of Revenue, Expenditures and Changes in Fund Balances – All Governmental Fund Types Year Ended March 31, 2004

			Total (Memorandum Only)	
			Year Ended March 31	
	General	Special Revenue	2004	2003
Revenue				
Taxes	\$ 41,581	\$ 125,150	\$ 166,731	\$ 155,356
Licenses and permits	38,288	-	38,288	32,275
State sources	158,573	-	158,573	173,593
Local sources	20,480	-	20,480	20,205
Interest	11,204	3,493	14,697	7,885
Landfill	2,674	-	2,674	2,680
Other	12,793	4,850	17,643	11,542
Total revenue	285,593	133,493	419,086	403,536
Expenditures				
General government	92,187	-	92,187	89,037
Public s safety	25,678	173,972	199,650	114,759
Highways and streets	55,308	-	55,308	64,956
Other	20,920	-	20,920	20,317
Total expenditures	194,093	173,972	113,107	109,354
Excess (Deficiency) of Revenue Over Expenditures	91,500	(40,479)	51,021	114,467
Fund Balances - Beginning of year	661,848	266,763	928,611	814,144
Fund Balances - End of year	\$ 753,348	\$ 226,284	\$ 979,632	\$ 928,611

Township of Pokagon, Michigan

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Taxes	\$ 39,000	\$ 41,581	\$ 2,581
Licenses and permits	27,500	38,288	10,788
State sources	150,000	158,573	8,573
Local sources	-	20,480	20,480
Interest	7,000	11,204	4,204
Landfill fees	2,500	2,674	174
Other	10,520	12,793	2,273
Total revenue	236,520	285,593	49,073
Expenditures			
General government	122,900	92,187	30,713
Public safety	23,100	25,678	(2,578)
Highways and streets	51,500	55,308	(3,808)
Other	25,880	20,920	4,960
Total expenditures	223,380	194,093	29,287
Excess (Deficiency) of Revenue Over Expenditures	13,140	91,500	78,360
Fund Balances - Beginning of year	661,848	661,848	-
Fund Balances - End of year	<u>\$ 674,988</u>	<u>\$ 753,348</u>	<u>\$ 78,360</u>

**Combined Statement of Revenue, Expenditures and Changes in
Fund Balances – Budget and Actual - Governmental Fund Types
Year Ended March 31, 2004**

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 108,659	\$ 125,150	\$ 16,491
-	-	-
-	-	-
-	-	-
3,700	3,493	(207)
-	-	-
2,600	4,850	2,250
114,959	133,493	18,534
-	-	-
108,659	173,972	(65,313)
-	-	-
-	-	-
108,659	173,972	(65,313)
6,300	(40,479)	(46,779)
266,763	266,763	-
\$ 273,063	\$ 226,284	\$ (46,779)

Township of Pokagon, Michigan

Notes to Financial Statements March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity - The Township is governed by an elected five-member Board of Trustees. As required by generally accepted accounting principles, these financial statements present the Township of Pokagon and its component units. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Fund Accounting - The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenues from general property taxes, state-shared revenues and other sources.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenues or financing activities requiring separate accounting because of legal or regulatory provisions.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Township as agent for other funds and other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Township of Pokagon, Michigan

Notes to Financial Statements March 31, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting - All governmental funds and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. The taxes are due with the final collection date as of February 28 of the ensuing year before they are added to the county tax roll.

- b. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Investments – Investments are recorded at fair value, based on quoted market prices.

Fixed Assets - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

The General Fixed Assets Account Group is not a fund and does not involve the measurement of results of operations.

Township of Pokagon, Michigan

Notes to Financial Statements March 31, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Memorandum Only Totals - The total data presented is the aggregate of the fund types and account groups. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 – Deposits and Investments

The Township's deposits and investments at March 31, 2004 are included on the balance sheet under the following classifications:

	Balance Sheet Classification			
	Cash and Cash Equivalents	Investments	Restricted Assets	Total
Deposits	\$ 594,400	\$ -	\$ 73,179	\$ 667,579
Investments	-	605,033	-	605,033
Total	<u>\$ 594,400</u>	<u>\$ 605,033</u>	<u>\$ 73,179</u>	<u>\$ 1,272,612</u>

Deposits - The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$697,463. Of that amount, \$273,179 was covered by federal depository insurance and \$424,284 was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Township of Pokagon, Michigan

Notes to Financial Statements March 31, 2004

Note 2 – Deposits and Investments (Continued)

Investments - The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles. To the extent cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in that pool.

The Township's investments during the year consisted solely of bank investment pools. There was \$605,033 invested in such funds at March 31, 2004. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Township believes that the investments in these funds comply with the investment authority noted above. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares.

Note 3 – Interfund Receivables

The following are the interfund receivables at March 31, 2004:

General Fund	
Trust and Agency Fund	\$ 12,329
Special Revenue Funds	
Trust and Agency Fund	33,175
Total interfund receivables	<u>\$ 45,504</u>

Note 4 – Property Taxes Receivable

The delinquent real property taxes of the Township are purchased by Cass County. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these property taxes. It is anticipated this will take place in May 2004. These taxes have been recorded as revenue in the current year.

Township of Pokagon, Michigan

Notes to Financial Statements March 31, 2004

Note 5 – Restricted Assets/Reserved Fund Balance

Restricted assets consist of the following:

Donations to the Township for the cemetery are invested in certificates of deposit. Income earned from the investments is reinvested for future capital expenditures of the cemetery.

\$ 73,179

Total restricted assets \$ 73,179

Note 6 – Capital Assets

A summary of changes in general fixed assets follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land and improvements	\$ 17,905	\$ -	\$ -	\$ 17,905
Buildings	91,481	-	-	91,481
Recreational equipment	6,234	-	-	6,234
Office furniture	38,929	-	-	38,929
Vehicles	43,112	81,707	43,112	81,707
Total	\$ 197,661	\$ 81,707	\$ 43,112	\$ 236,256

Township of Pokagon, Michigan

Notes to Financial Statements March 31, 2004

Note 7 – Budget Information

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 is not known.

The budget has been prepared in accordance with accounting principals generally accepted in the United States of America. The budget statement (Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Governmental Fund Types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General fund budget as adopted by the Township Board is included in the additional information. A comparison of actual results of operations to the Special Revenue Fund budgets as adopted by the Township Board is available at the clerk's office for inspection.

Significant budget overages were as follows:

	Budget	Actual
General Fund:		
Public Safety	\$ 23,100	\$ 25,678
Highways and Streets	51,500	55,308
Fire Fund	96,000	162,086

The overage in public safety was caused by higher than anticipated inspector salaries which are offset by additional permit revenue. The overrun in highways and streets expenditures was caused by expenditures funded with County matching funds and is offset by additional revenue.

The Fire Fund opted to pay off a fire truck debt during the year, which not had been budgeted. Beginning fund equity was used to make this payment.

Township of Pokagon, Michigan

Notes to Financial Statements March 31, 2004

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township participates in the Michigan Townships Participating Plan for all claims.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 9 – Permit Fees

The Township oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity for the year is as follows:

Accumulated Surplus - April 1, 2003	\$	2,301
Building permit revenue		38,288
Related expenses:		
Direct costs		(25,678)
Indirect costs		<u>(13,092)</u>
Accumulated Surplus - March 31, 2004	\$	<u>1,819</u>

Note 10 - Upcoming Reporting Change

For the year beginning April 1, 2004, the Township will adopt GASB statement Number 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro-forma data that would show the effect of this change.

Additional Information



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Members of the Township Board
Township of Pokagon, Michigan

We have audited the general purpose financial statements of the Township of Pokagon, Michigan for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Pokagon, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

September 9, 2004

Township of Pokagon, Michigan

General Fund - Schedule of Revenue – Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Property taxes	\$ 39,000	\$ 41,581	\$ 2,581	\$ 39,083
Licenses and permits	27,500	38,288	10,788	32,275
State sources	150,000	158,573	8,573	173,593
Local sources	-	20,480	20,480	20,205
Interest	7,000	11,204	4,204	4,866
Landfill fees	2,500	2,674	174	2,680
Other	<u>10,520</u>	<u>12,793</u>	<u>2,273</u>	<u>11,392</u>
Total revenue	<u>\$ 236,520</u>	<u>\$ 285,593</u>	<u>\$ 49,073</u>	<u>\$ 284,094</u>

Township of Pokagon, Michigan

General Fund – Schedule of Expenditures – Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
General Government				
Township Board:				
Salaries and fringes	\$	\$ 7,369	\$	\$ 6,522
Audit		4,985		4,500
Insurance		6,122		5,490
Legal fees		4,546		8,774
Membership dues		1,004		1,046
Printing and publishing		775		1,237
Educational		2,546		1,951
Ambulance		490		522
Miscellaneous		657		632
Street lights		1,141		1,610
Total Township Board	49,250	29,635	19,615	32,284
Supervisor:				
Salaries		10,189		9,300
Office supplies		112		631
Miscellaneous		136		210
Assessing		19,345		14,171
Total supervisor	30,500	29,782	718	24,312
Elections	1,000	26	974	2,356
Clerk:				
Salaries		12,072		11,670
Office supplies		876		846
Miscellaneous		434		361
Total clerk	13,350	13,382	(32)	12,877

Township of Pokagon, Michigan

General Fund – Schedule of Expenditures – Budget and Actual (Continued) Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Board of Review	800	557	243	643
Treasurer:				
Salaries		11,252		9,914
Office supplies		1,439		1,135
Miscellaneous		394		246
Total treasurer	13,900	13,085	815	11,295
Township Hall:				
Salaries		264		302
Utilities		3,308		2,881
Maintenance		1,946		1,693
Miscellaneous		202		394
Capital outlay		-		-
Total Township Hall	14,100	5,720	8,380	5,270
Total general government	122,900	92,187	30,713	89,037

Township of Pokagon, Michigan

General Fund – Schedule of Expenditures – Budget and Actual (Continued) Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Public Safety				
Ordinance enforcement	23,100	25,678	(2,578)	20,334
Highways and Streets				
County Road Commission	51,500	55,308	(3,808)	64,956
Other:				
Cemetery:				
Salaries		1,945		1,735
Maintenance		11,527		9,591
Miscellaneous		37		87
Total cemetery	14,080	13,509	571	11,413
Landfill	7,500	6,120	1,380	6,596
Planning Commission:				
Fees and per diem		1,225		2,050
Legal fees and miscellaneous		66		258
Total Planning Commission	4,300	1,291	3,009	2,308
Total other	25,880	20,920	4,960	20,317
Total expenditures	<u>\$ 223,380</u>	<u>\$ 194,093</u>	<u>\$ 29,287</u>	<u>\$ 194,644</u>

Township of Pokagon, Michigan

Special Revenue Funds – Combining Balance Sheet March 31, 2004

				Totals	
	Fire	Cemetery	Ambulance	2004	2003
Assets					
Cash	\$ 9,139	\$ -	\$ 963	\$ 10,102	\$ 40,940
Investments	97,042	-	-	97,042	148,108
Due from other funds	29,875	-	3,300	33,175	-
Taxes receivable	11,023	-	1,763	12,786	10,669
Restricted assets	-	73,179	-	73,179	67,046
Total assets	<u>\$ 147,079</u>	<u>\$ 73,179</u>	<u>\$ 6,026</u>	<u>\$ 226,284</u>	<u>\$ 266,763</u>
Fund Balances					
Reserved	\$ -	\$ 73,179	\$ -	\$ 73,179	\$ 82,605
Unreserved	<u>147,079</u>	<u>-</u>	<u>6,026</u>	<u>153,105</u>	<u>184,158</u>
Total fund balances	<u>\$ 147,079</u>	<u>\$ 73,179</u>	<u>\$ 6,026</u>	<u>\$ 226,284</u>	<u>\$ 266,763</u>

Township of Pokagon, Michigan

Special Revenue Funds – Combining Statement of Revenue, Expenditures and Changes in Fund Balances Year Ended March 31, 2004

	Totals				
	Fire	Cemetery	Ambulance	2004	2003
Revenue					
Property taxes	\$ 112,801	\$ -	\$ 12,349	\$ 125,150	\$ 116,273
Interest	2,205	1,283	5	3,493	3,019
Maintenance	-	225	-	225	100
Lot sales	-	4,625	-	4,625	50
Total revenue	115,006	6,133	12,354	133,493	119,442
Expenditures					
Fire protection	162,086	-	-	162,086	84,909
Ambulance service	-	-	11,886	11,886	9,516
Total expenditures	162,086	-	11,886	173,972	94,425
Excess (Deficiency) of Revenue Over Expenditures	(47,080)	6,133	468	(40,479)	25,017
Fund Balances - Beginning of year	194,159	67,046	5,558	266,763	241,746
Fund Balances - End of year	\$ 147,079	\$ 73,179	\$ 6,026	\$ 226,284	\$ 266,763



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To the Board
Township of Pokagon
Dowagiac, Michigan

In planning and performing our audit of the financial statements of the Township of Pokagon for the year ended March 31, 2004, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

TIMELY AND ACCURATE BANK RECONCILIATIONS

As a part of our audit, we examined the bank reconciliations prepared by the Township. We noted that reconciliations were prepared each month but the balances did not match to the amount of cash reported in QuickBooks. This is apparently due to the fact that cash receipt and other investment transaction information is not being provided to the Clerk in a timely manner. Therefore, QuickBooks is not being kept up-to-date during the year. The Treasurer could save time by providing just the transaction information to the Clerk on a timely basis. Now that the general ledger is on QuickBooks, the software's reconciliation program will automatically prepare a bank reconciliation, which can be generated by the Clerk and reviewed by the Treasurer. This also provides the added internal control of an independent monthly review of the bank reconciliations.

TIMELY REMITTANCE OF TAX PAYMENTS

During the audit, we became aware that property taxes were not remitted to other taxing units in a timely manner during the year. Generally, timely remittance is defined as 10 working days after the 1st and 15th of the month, with 10% of the February 28th collection held until tax settlement. Failing to remit these payments in a timely manner is prohibited by law and could result in penalties assessed against the Township.

CONTROLS OVER CASH

We noted during our audit that most receipts are not kept in the Township safe. Rather, they are placed in an unlocked desk drawer. In addition, cash and checks were not deposited as timely as we would like during the year. We suggest that the Township adopt a policy of at least weekly deposits, with more frequent deposits when necessary due to larger cash collections. Between deposits, checks should be restrictively endorsed and kept with other cash in the locked safe.

CONTROLS OVER THE GENERAL LEDGER

While the Clerk is responsible for maintaining the general ledger, it was noted that during the year another Township official “helped out” by entering some transactions into QuickBooks. This caused a breach of segregation of duties and the Clerk had to review the entire year to find out what had and had not been entered. This type of situation could be avoided in the future by adding password protection to QuickBooks and to the Township computers. In addition, a listing of the duties of Township officials, provided by the Michigan Township Association, should be reviewed to make sure that these duties are performed by the proper officials.

NEW REVENUE REPORTING MODEL

GASB 34, the new reporting model, calls for implementation in the Township's fiscal year ending in 2005. If the Township is to implement this model in within a few short months, it will need to begin making plans and considering implementation issues as early as possible.

There are some short-term steps the Township should have already begun in preparation for this new reporting model. These would include:

- Updating and verifying fixed asset listings, based on physical observations and estimates (this may also be useful for insurance purposes, both in substantiating a property claim and for ensuring the appropriate limit of property insurance).
- Accumulating data for amounts paid by the Township for major road improvements/reconstruction since April 1, 1980. This data should include name of road, date and amount paid.

UNALLOWED EXPENDITURES

Elected officials, as well as management, should become familiar with what might be considered potentially unlawful expenditures. The State of Michigan website has provided a reference for local government officials, employees and governmental auditors of selected references that address some of the questionable expenditures of local government. Some of the unlawful expenditures noted are as follows: contributions to non-profit organizations, donations to a private ambulance or EMS service not under contract with the governmental unit, donations – including use of property or equipment to Little League, Scouts, Big Brothers/Sisters, office refreshments and picnics, flowers to the sick or departed, presents to officials and employees or retirement recognition events, etc. A more inclusive listing can be reviewed at the State of Michigan's website at the following web address: http://www.michigan.gov/treasury/1,1607,7-121-1751_2194-7603--,00.html.

UNIFORM TIME REPORTING

During our audit testing, we noted that hourly employees do not use a uniform time reporting sheet. To avoid confusion and possible mistakes in calculating pay, we recommend that the Township create a standard time reporting form and require employees to utilize this in the future.

ACH POLICY

Public Act 738 was passed, which allows local units of government to make and accept electronic funds transfers (ACH payments), if the local unit adopts a formal policy. While local units of government may have already been using the ACH system for payroll tax remittances and for the direct deposit of payroll, this new law requires a policy to be adopted.

Beginning immediately, a local unit's governing body needs to adopt a policy on ACH arrangements that includes all of the following:

- Designation of an individual as the party responsible for payment approval, accounting, reporting and compliance with the ACH policy;
- A statement that this individual is required to submit documentation as follows:
 1. describe the goods or services purchased,
 2. the cost,
 3. date of payment, and
 4. the department benefiting from the purchase;

A system of internal controls to monitor the use of ACH transactions; and the approval of invoices before payment. While, the Township is not currently utilizing these types of transactions, it may be required to do so in the future for payroll taxes or other types of remittances. We suggest that the Township adopt a policy now to cover any future use of ACH transactions.

CREDIT CARD POLICY

Another policy that the Township may want to consider adopting for future use is a credit card policy. While the Township does not currently have or use any credit cards, this option may be exercised in the future if a policy is properly adopted.

We sincerely thank you and appreciate the courtesy and cooperation extended to us by you and members of your organization during the audit. We appreciate the opportunity to present these recommendations for your consideration and will be pleased to discuss them further at your convenience.

This report is intended solely for the information and use of the management, and others within the organization.

Plante & Moran, PLLC

September 9, 2004